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Central Intelligence Agency



Washington, D.C. 20505

## DIRECTORATE OF INTELLIGENCE

JUNE 1984

## CENTRAL AMERICAN MONTHLY REPORT #10

Perspective

*Despite a few months of generally positive developments in Central America, several events in June again underscored the region's volatility and the challenges to US policy interests. The most dramatic of these occurred in El Salvador, when the guerrillas at month's end attacked and temporarily held the country's largest dam, which supplies almost 30 percent of the nation's hydroelectric power. Although the Army regained control with only minimal damage to the facilities, the seizure itself reflects the insurgents' determination to regain political and military credibility and highlights their continuing ability to stage spectacular actions against selective targets.*

*The attack against the Cerron Grande dam followed increasing reports that the guerrillas plan to launch a major offensive by August. This time frame would, we believe, enable them to reprovision their troops and complete the training and positioning of forced conscripts, 1,300 since mid-March. We judge that some insurgent leaders, as well as their Cuban and Nicaraguan allies, probably also believe that a late summer offensive could influence the US presidential election. Meanwhile, in what may be a harbinger, guerrilla harassment and sabotage incidents almost doubled between early and late*

*This memorandum was prepared by the Central America Branch, ALA. It was coordinated with the Directorate of Operations. It contains information available as of 6 July 1984. Questions and comments are welcome and should be addressed to Chief, Middle America-Caribbean Division, ALA*

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June, [ ] All five guerrilla factions also recently established new communication liaison units in one department as part of an effort to increase coordination. [ ]

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In other military developments, the Sandinistas committed ever greater numbers of troops in June against Eden Pastora's forces in southern Nicaragua. The result has been the retreat of large numbers of anti-Sandinistas back into Costa Rica, increasing indications of disarray within the rebel organization itself, and signs that the insurgents will have to cut back their activities on the southern front. [ ]

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Some political indicators were equally disquieting, particularly in Honduras, where President Suazo appears increasingly depressed over political and economic problems. His admission to a US official that he was considering resigning probably is at this point mainly a venting of internal pressures rather than a planned course of action. Nevertheless, it emphasizes growing Honduran anxiety over the US commitment to the region. [ ]

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[ ] Suazo and his military leaders fear that Tegucigalpa's tough policy toward Nicaragua could ultimately leave it isolated in the region. [ ]

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## EL SALVADOR

### Political

President Duarte's first month in office reflects his emphasis on demonstrating human rights advances and control of the military over economic planning and negotiations with the insurgents. Although US Embassy reporting indicates that Duarte and his advisors held amiable sessions with business leaders in June, no national economic strategy has yet been developed. The Christian Democrats also appear to be balking at US requests to devalue or otherwise loosen monetary restrictions on imports and exports, according to the Embassy. [ ]

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Meanwhile, Duarte's strategy toward the guerrilla war accommodates the Army's operational priorities, with emphasis on aggressive counterinsurgency actions designed to stifle guerrilla military initiatives. He also has attempted to cement his relations with the armed forces by ruling out powersharing with the insurgents and throughout June called on the guerrillas to cease fighting before engaging in a dialogue. [ ]

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[redacted]

Duarte's desire to cleanse the armed forces has meanwhile been reflected in the transfer of several important extreme rightist line officers to posts overseas, in the appointment of a second vice minister of defense charged with cleaning up the three security forces, and in the disbanding of the large and semi-clandestine S-2 intelligence section of the Treasury Police. [redacted]

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[redacted] and enlisted men—some suspected of human rights and other violations—have either been discharged or transferred out of San Salvador to scattered rural posts. Furthermore, the chiefs of staff have been reorganized to give greater oversight and coordination to the three paramilitary security forces, and a new academy is being planned that will train professional security personnel. [redacted]

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Duarte also appears to be making some progress toward institutionalizing new norms of jurisprudence. The Embassy indicates that in the wake of the conviction of the murderers of American churchwomen, new openings may be developing to prosecute military officers involved in the 1981 killings of two US labor advisors. [redacted]

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### Military

Stepped up guerrilla harassment and sabotage attacks in the east may be the opening gambit in the insurgents' summer campaign. [redacted]

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[redacted] they continue to resupply and recruit even though the Army has been aggressively patrolling and sweeping several departments to keep the guerrillas off balance. Units of the 3rd Brigade recently completed successful operations in a major guerrilla stronghold north of the Torola River. The Army intends to maintain its tactical pressure throughout the summer with a number of major sweeps in five critical departments, [redacted] While the guerrillas may be somewhat hampered in staging a nationwide offensive, the attack on the Cerron Grande Dam shows they are fully capable of exploiting Army weaknesses and launching spectacular raids on selective targets. [redacted]

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## NICARAGUA

### Political

[redacted] Sandinista leaders gained little from recent travels to Europe. Junta Coordinator Daniel Ortega, Planning Minister Ruiz, and Foreign Minister D'Escoto were received at the highest levels during their late June trip to the Soviet Union and six East European capitals, but there were no announcements of new aid agreements. Ortega had stated at the outset of his visit that Nicaragua was seeking MIG aircraft, but in a Budapest press conference he asserted that they would not be acquired now because Nicaraguan pilots were still being trained. Meanwhile, Sandinista Directorate member Bayardo Arce's June tour of nine West European countries appears to have gained only lukewarm endorsement of Nicaragua's election plans. [redacted]

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The Sandinistas continued hardline policies at home, apparently to retaliate against the Church for urging dialogue with the insurgents in its April pastoral letter and to intimidate the opposition to refrain from its threat to boycott the election. The regime, for example, staged television confessions alleging Church and opposition involvement in insurgent plotting, Interior Minister Borge charged USAID with financing the Archdiocese of Managua, and press reports indicate that Sandinista mobs disrupted some Church services. We believe the Sandinistas calculate that their offer during the Jesse Jackson visit to hold a summit with Church leaders will capture international attention and deflect some of the criticism of their recent actions. [redacted]

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The regime continues to hope that opposition participation in the elections will boost its legitimacy, but the Sandinistas' fears of declining popularity have prevented them from opening the political system. They extended the state of emergency in May and indicated that they will announce relaxation on 19 July—the fifth anniversary of the revolution. The regime also recently suspended discussion of the media law in June after the opposition walked out of the Council of State to protest its provisions for continued censorship. These measures are unlikely to satisfy opposition parties and chances are increasing that they will not name electoral candidates by the 26 July deadline. [redacted]

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### Military

Managua's growing unease about insurgent attacks in the north was underscored by its recent decision to have four of the nine Sandinista Directorate members personally oversee regional military and political operations. The regime also announced a second

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[redacted]

draft callup and will require all males from age 25 to 39 to register for active duty. The final callup for 1985 may equal the 20,000 which the US Embassy estimates have been inducted since the conscription law was adopted last October. [redacted]

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[redacted] the early June attack on the departmental capital of Ocotal had a "psychological and political impact on the government," and it appears to have been the catalyst for a stepped-up counterinsurgency effort. The raid followed similar attacks since March on San Rafael del Norte, Waslala, and San Juan del Rio Coco, in which the insurgents either temporarily held towns or threatened to overrun Sandinista units there. In addition, the insurgents infiltrated centrally located Boaco and Chontales Departments. [redacted]

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We believe the northern-based insurgents probably can continue their hit-and-run attacks through the summer. Nevertheless, uncertainties about resupply probably will lead them to avoid large-scale assaults on towns and pitched battles with Sandinista units during this period. [redacted]

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Despite their problems in the north, the Sandinistas scored an important military victory in the south, where they overran guerrilla camps and drove several hundred of Eden Pastora's forces over the Costa Rican border. Severe supply shortages will make it difficult for the insurgents to regroup. They probably will have to curtail their activities, at least over the next several months, and desertions probably will increase. Meanwhile, Pastora's refusal to unify with northern-based insurgents led to his withdrawal from the Democratic Revolutionary Alliance in late June, thus giving the Sandinistas a psychological boost. Pastora—still recovering from a 30 May assassination attempt—plans to travel to Europe in July in an effort to increase pressure on the Sandinistas to conduct free elections. [redacted]

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### Military Buildup

The Sandinistas continued to expand their armor and transport inventories. A Bulgarian ship offloaded two tank battalions in May, bringing the Nicaraguan inventory to 110 T-54/55 medium tanks and 26 PT-76 light amphibious tanks. [redacted] during May more than 550 meters of runway were completed at Punta Huete, Nicaragua's future chief airbase, and the Sandinistas could have 3,100 meters finished by late September. Nevertheless, the regime will have to construct other infrastructure to make the base fully operational, and we judge that air operations are unlikely to begin there before early next year. [redacted]

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### Economic

Meanwhile, the regime has announced that it would eliminate most food subsidies on 1 July and monopolize the retail sale of six food products. The steep price hikes will be unpopular, especially since most wages have been frozen since 1982, and government statements admit the possibility of violent protests. The government has also announced

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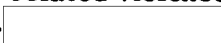
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a crackdown against "hoarders and speculators" which may result in further nationalizations. 

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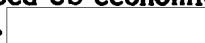
## GUATEMALA

### Political

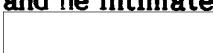
The recent election of an 88-member constituent assembly will boost Guatemala's image both at home and abroad and give additional momentum to the process of returning the country to civilian rule.  press reporting indicate that about 70 percent of the eligible voters participated in balloting free of tampering by the military. There was no election-related violence and no indications that the insurgents attempted to disrupt the voting. 

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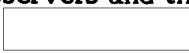
The election—including the voter turnout—is a political boost for Chief of State Mejia who has supported a return to civilian rule since he took power last year. Many in the military—particularly younger officers—believe that their defacto political rule has damaged the armed forces institution. Although they want the military out of the political spotlight, most officers recognize that the armed forces will continue to exercise ultimate control over government policy, particularly on national security issues. Senior officers also probably hope that an improved international image will help garner increased US economic and military assistance needed to keep the insurgents in the defensive. 

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The Mejia government is likely to come under increasing pressure, however, once the assembly is seated in August. We expect that body to challenge Mejia's legitimacy as head of a military-imposed de facto government. Claiming a popular mandate owing to the large turnout, assembly leaders may press for the authority to assume some legislative powers. Mejia reiterated on election day that the assembly is empowered only to write a new constitution and associated laws, and he intimated that he could dissolve the body if it tried to exceed its legal authority. 

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### Military

The insurgents, after two years of tactical defeats, were too weak and disorganized to disrupt the voting, and we believe the election will be widely perceived as a political setback for them. Although they are likely to step up propaganda attacks assailing the balloting as a farce, the presence of international observers and the participation of several leftist parties will undercut their efforts. 

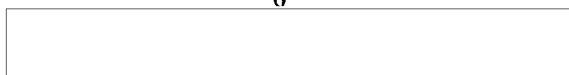
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### Economic

Mejia's rejection of a steep rise in the value-added tax caused the IMF to suspend disbursement of the remaining \$60 million under Guatemala's standby agreement. Because the two real remedies to Guatemala's balance of payments



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problems—devaluation or stiff tax hikes—face intense domestic opposition, we believe Mejia will stall as long as possible by letting foreign payment arrears mount. As a result, corrective measures will be even more painful to implement as the trade deficit and creditworthiness of Central America's largest economy continue to worsen.

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## HONDURAS

### Military

Recent equipment acquisitions promise a significant though not immediate upgrade in Honduran air and ground combat capabilities. The arrival of four Brazilian Emb-312 Tucano turboprop trainer aircraft in late May was followed by the mid-June delivery of two Spanish CASA 101 jet trainer/light attack aircraft. In addition, the US defense attache reports that 72 British Saladin light armored vehicles purchased from Belgium arrived.

is completed some time next year. The same amount of time also will be required for recruitment, training, and reorganization so that the armored cavalry regiment can achieve combat effectiveness with the new Saladin units.

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### Political

There were growing signs in June that the ouster of Armed Forces Commander Alvarez earlier this year continues to have ramifications for the country's stability. Alvarez inhibited domestic criticism, in our judgment, and his removal has since unleashed an unprecedented amount of debate within civilian and military circles over government policies, including relations with the US.

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still has not consolidated his support within the military and faces continued scrutiny of his leadership and professional integrity from the officer corps. Meanwhile, President Suazo—evidently depressed over dissension in both the military and his own party, and worried about the Honduran economy—recently told a US Embassy official that he was considering resignation. The subsequent derailment of a threatened general strike probably has alleviated some pressures, but we believe Suazo's troubled state of mind augurs poorly for his effectiveness as a leader during the remaining 19 months of his administration.

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Relations with the US, meanwhile, remain a topic of considerable anxiety for the country's leadership. both the civilian administration and the officer corps believe Tegucigalpa's strong support for US regional policies has not been rewarded with commensurate economic and military assistance. In addition, the cutoff of US funding for the anti-Sandinista insurgents and Secretary of State Shultz's visit to Managua have reinforced Honduran concern about the durability of the US commitment to Tegucigalpa and the rest of Central America.

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### Economic

Suazo's frustration apparently rose when his economic stabilization package—designed to accommodate IMF requirements for new financing and thus meet US conditions for additional aid—prompted strong domestic criticism and a threatened general strike. To avert the strike, Suazo recently agreed to modify the package, which included higher taxes and spending cuts to satisfy conditionality for future IMF and donor assistance, thus making an IMF program unlikely this year. Meanwhile, the IMF also is requiring a currency devaluation or an expansion of the parallel foreign exchange market. According to the US Embassy, however, Tegucigalpa strongly opposes devaluation partly because the lempira's par value with the US has remained constant for more than 50 years. With elections approaching in late 1985, we believe the government will be reluctant to risk boosting inflation in this import-dependent economy by imposing any currency adjustment. [ ]

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## **COSTA RICA**

### Political

Relations between the Monge government and Managua continued to deteriorate following the Sandinistas' shelling of Costa Rican territory during their offensive against anti-Sandinista insurgents along the border. San Jose's frustration mounted as the joint-border commission established in May failed to condemn Nicaragua, according to the US Embassy, and recent press reports indicate that Costa Rica's ambassador to Managua has again been recalled for consultation. Insurgent forces reportedly retreating across the border from Nicaragua are likely to increase domestic pressure on Monge to limit further the activities of rebel political and military elements. Meanwhile, Monge—recently returned from a state visit to 12 West European nations during which he attempted without much success to gain additional economic aid—is facing growing Communist-inspired labor unrest. Although previous efforts by the local left to foment a general strike have failed, Embassy reporting indicates the government is increasingly fearful that the Communists are about to launch a wave of politically and economically-motivated labor actions and provocations. [ ]

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### Economic

The Monge administration's recent call for a 90-day halt on principal payments to foreign commercial banks reflects delays in satisfying IMF conditions for a \$52 million standby credit and a pending foreign exchange crisis. Embassy reporting notes the standstill agreement was reached following indications that the IMF would not approve a standby by the 30 June deadline set by the banks. Meanwhile, the banks have mandated that Costa Rica raise domestic consumption taxes and clear arrears to the IMF by 31 August. On a more positive note, USAID released \$23 million in ESF funds with the expectation that the legislative assembly will pass monetary reforms as requested by Washington. [ ]

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## PANAMA

The ruling Democratic Revolutionary Party prevailed in the mayoral and municipal contests in early June, thus enhancing its victories in the presidential and legislative elections of the previous month. [REDACTED]

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[REDACTED] US Embassy reporting indicating that the party will win about 35 of the 67 seats in the new Legislative Assembly. Meanwhile, other Embassy reports give the party controlling majorities of the 65 mayoral and 505 local assembly posts. The impact of these victories by pro-government elements was undercut by low voter turnout, however, with only about a third of the eligible 918,000 casting ballots. While such apathy probably reflected popular frustration at the one week postponement of the balloting, we believe it also may underscore a growing public sense of resignation in the wake of charges of fraud during the presidential election. [REDACTED]

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## REGIONAL PEACE NEGOTIATIONS

The Contadora foreign ministers made a tour of Central American capitals in early June to deliver a draft agreement for further negotiations. The text, apparently reflecting Mexico's influence, calls for an immediate cutoff of aid to the anti-Sandinista insurgents, while not specifying that Nicaragua reverse its arms buildup. Additional proposals include immediate withdrawal of military advisers involved in operations and training, and gradual reduction of other military and civilian advisers. [REDACTED]

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The "Core Four" Central American nations have told US officials that they will resist Contadora pressure for a meeting of all nine foreign ministers in late July, preferring instead a lower-level gathering in August. Meanwhile, assurances from Washington that recent negotiations with Managua will not undermine regional talks may have eased some of the Core Four concerns. The Sandinistas have repeatedly expressed skepticism regarding US motives, and they do not appear to be ready to make significant concessions. [REDACTED]

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## COMING EVENTS IN CENTRAL AMERICA

19 July	Fifth anniversary of Sandinista revolution
26 July	Final date for inscription of candidates for Nicaragua's November election.
Early August	Installation of Guatemala's Constituent Assembly.

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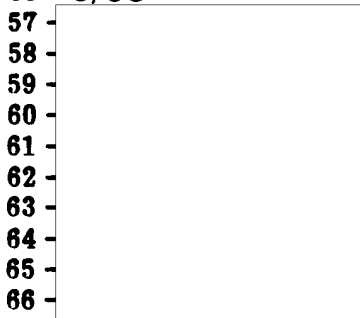
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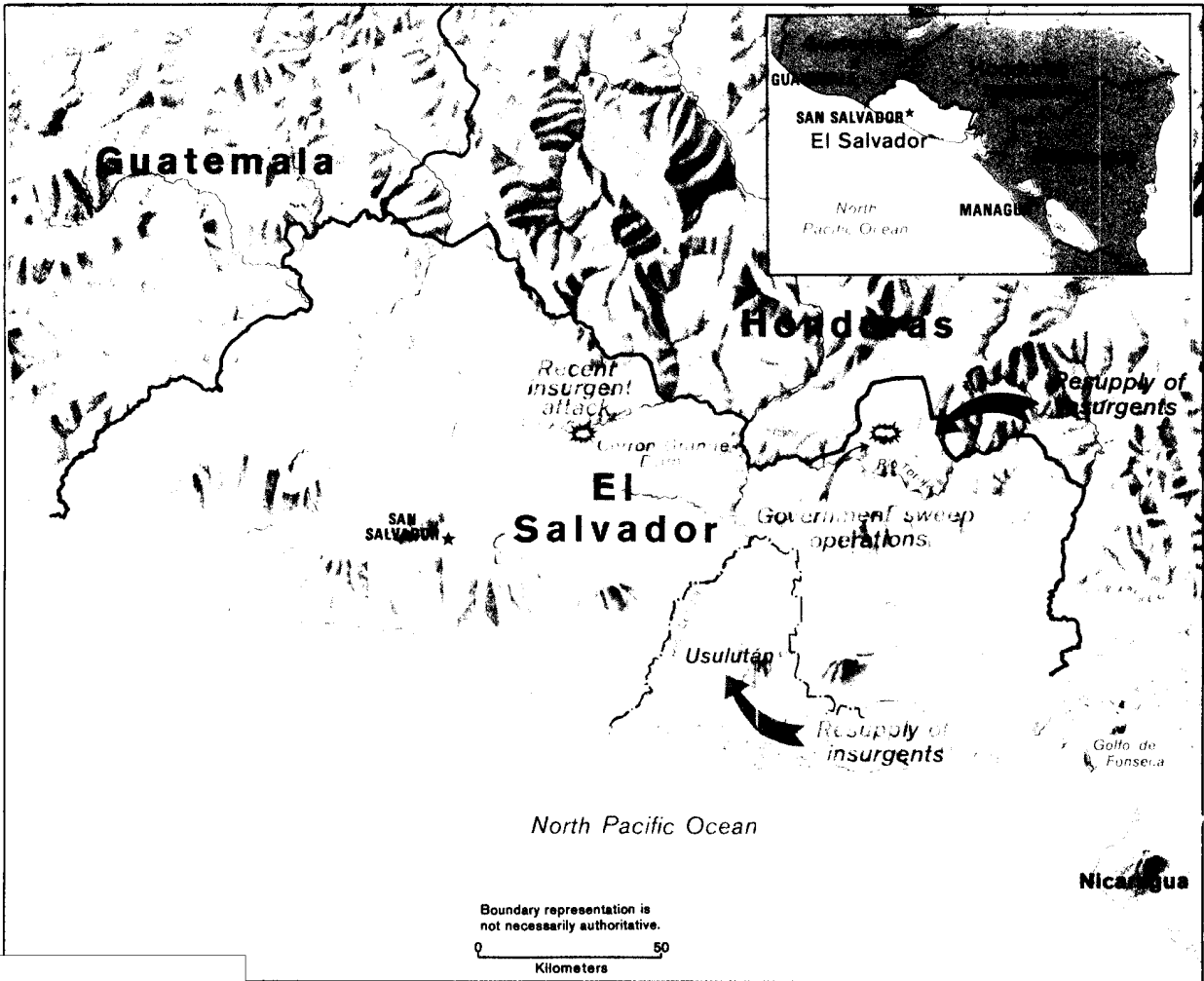
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